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May 16, 2006

AGENDA ITEM 8

TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION COMMITTEE

- I. SUBJECT:** June 30, 2005 Legislators' Retirement System Actuarial Valuation Report and Transmittal Letter to the Governor and Legislature.
- II. PROGRAM:** Actuarial & Employer Services
- III. RECOMMENDATION:**

It is recommended that the Committee accept and recommend to the Board of Administration approval of the June 30, 2005 Legislators' Retirement System Actuarial Valuation Report and transmittal letter with adoption of an employer contribution of \$0 as well as a 0% contribution rate for all members for the period of July 1, 2006 to June 30, 2007.

IV. ANALYSIS:

Enclosed is the CalPERS staff actuarial valuation report as of June 30, 2005, for the Legislators' Retirement System. Also attached is the transmittal letter to the Governor and Legislature. The following table summarizes key results from the valuation:

	June 30, 2004 (FY 2005-06)	June 30, 2005 (FY 2006-07)
Present Value of Benefits	\$107,436,125	\$107,449,624
Actuarial Value of Assets	\$138,984,167	\$139,248,807
Superfunded	Yes	Yes
Market Value of Assets	\$134,588,126	\$138,094,730
Investment Return	8.7%	9.7%
Recommended Employer Contribution Rate	\$0	\$0
Recommended Employee Contribution Rate	0%	0%

To more accurately model the benefits being administered by LRS, changes were made to the assumptions and data used by the Actuarial Valuation System (AVS) with respect to the benefits payable to some of the beneficiaries of legislators. We changed the following assumptions: 1) Age of Spouse – Female spouses are assumed to be 4 (previously 3) years younger than male spouses. 2) Normal Form of Payment for legislators– the normal form of payment is assumed to be a 100% (previously 80%) Joint and Survivor Annuity for members of the legislature. The CalPERS Judges', Legislators' and Volunteer Firefighters' Office provided additional information regarding beneficiary benefit amounts. The present value of benefits decreased \$2.9 million due to these combined changes.

A lawsuit against CalPERS regarding alleged past due payments totaling approximately \$8 million is pending. The administrative hearing in this case concluded on March 1, 2006 and the parties are currently awaiting issuance of the Proposed Decision by the Administrative Law Judge. Regardless of the outcome, the LRS plan is expected to continue to be superfunded.

In February 2000, the Board of Administration moved to set the member contribution rate of this system to 0% on an annual basis according to the superfunded status of this system. Accordingly, it is recommended that the Board of Administration adopt a member contribution rate of 0% for the coming fiscal year of July 1, 2006 to June 30, 2007.

The June 30, 2005 actuarial valuation establishes the actuarially required employer contribution for the fiscal year July 1, 2006, through June 30, 2007.

V. STRATEGIC PLAN:

This item is not a specific product of the Strategic or Annual Plans but is part of the regular and ongoing workload of the Actuarial & Employer Services Division.

VI. RESULTS/COSTS:

See enclosed actuarial report.



David Clement,
Associate Pension Actuary
Actuarial & Employer Services Division



Ron Seeling, Chief Actuary
Actuarial & Employer Services Division

Attachments

Members of the Benefits and Program Administration Committee
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